GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4113
ANSWERED ON:23.03.2001
NPA MANAGEMENT COMPANY
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

(a) whether IDBI has submitted plans to the Government to form an NPA management company;

(b) if so, the outlines and objectives of the proposed NPA management company;

(c) whether IDBI and other financial institutions are frittering away resources on such diversifications and related activities; and

(d) if so, the details thereof and action taken by the Government to check it?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (d): The Finance Minister while presenting Union Budget for 1998-99 had announced that a few banks with high NPAs would be encouraged on an experimental basis to set up Asset Reconstruction Companies (ARCs) which will buy out the non-performing assets of the banks at their realizable value and concentrate on recovery of dues to realize the maximum value for the assets transferred to them. In pursuance of the Finance Minister`s announcement, IDBI in consultation with other financial institutions has prepared draft of Asset Reconstruction Companies Bill to provide for a legislative framework for setting up of Asset Reconstruction Companies in the country. The transfer of non-performing assets to a separate specialised agency, ARC will help banks and financial institutions to reduce their non-performing assets. As such, the question of frittering away of resources by IDBI and other financial institutions does not arise. The proposal is under examination of the Government.